

CITY OF OTHELLO HOUSING AUTHORITY
Adams County, Washington
July 1, 1994 Through June 30, 1996

Schedule Of Federal Findings

1. The Othello Housing Authority Should Improve Controls Over The Reporting And Safeguarding Of Fixed Assets

Our review of the housing authority's fixed asset accounting system noted the following problems: (1) Values assigned to assets on the detail listings exceeded the amount reported on the balance sheet by \$387,217, (2) Nonexpendable personal property purchased with federal funds has not been properly identified on a consistent basis, and (3) No detail listing of appliances placed in the rental units is maintained.

The "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* No. 32 (d) (1), (2), & (3) states in part:

. . . (d) Procedures for managing equipment . . . whether acquired in whole or in part with grant funds, until disposition takes place will, at a minimum, meet the following requirements:

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

(2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

(3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property.

The problems noted were caused by the housing authority's practice of assigning a "value" to the real estate and the contents of each rental unit, rather than recording the items at historical cost. Updating personal property records was not considered a high priority item.

The failure to maintain detailed support for the information reported on the financial statements can result in a misstated financial statement. By not maintaining the minimum records required for assets purchased with federal funds, the authority cannot ensure

compliance with federal regulations regarding use and disposal of assets. Furthermore, the lack of accountability increases the risk of loss or misuse of public assets.

We recommend the Othello Housing Authority comply with the requirements of "Common Rule" No. 32. We further recommend the authority reconcile its detail asset listings to the capitalized assets presented on the balance sheet using an original cost basis.

Auditee's Response

I concur with this Finding. OHA currently takes a physical inventory every year and maintains a detailed listing of property including appliances placed in each rental unit.

In order to satisfy this Finding we will comply with Common Rule 32 and reconcile our assets with the balance sheet.

2. Tenant Records Should Be Maintained In Accordance With Housing And Urban Development (HUD) Guidelines

Our testing of the compliance issues contained in the new HUD compliance supplement revealed the following reportable conditions:

- a. A Form 50058 returned by Multifamily Tenant Characteristics System (MTCS) indicating an understatement of a tenant's income had not been corrected and resubmitted to MTCS.
- b. An incorrect rent calculation.
- c. A missing copy of a tenant's social security card.

The Public Housing 95-31 Compliance Supplement clearly indicates that errors noted on HUD form 50058 by MTCS and returned, require timely correction and refiling.

24 CFR 813.109 states in part:

. . . PHA shall be responsible for . . . determination of Annual Income, Adjusted Income and Total Tenant Payment.

24 CFR, Subpart B 5.210 states in part:

. . . requires applicants for and participants in covered HUD programs to disclose, and submit documentation to verify, their Social Security Numbers.

The authority files are maintained by one person. The authority does not have a review process in place to ensure accuracy.

Failure to comply with HUD requirements could potentially affect HUD funding of the authorities operations. Further, inaccurate records and calculations could cause tenants to pay incorrect rent amounts.

We recommend Othello Housing Authority take the necessary steps to ensure that all required documentation is obtained for tenant files, calculations are accurate, and reports are filed timely as prescribed by HUD.

Auditee's Response

I concur with this Finding.

OHA continues to review each tenant file to ensure accuracy. In addition to regular file reviews random file checks are now being conducted by staff other than the person responsible for file maintenance.

I thank you and your staff for helping to make the audit a positive experience.